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RUEHLP/AMEMBASSY LA PAZ 2698
RUEHPE/AMEMBASSY LIMA 0974
RUEHQT/AMEMBASSY QUITO 2789
RUCPDO/DEPT OF COMMERCE
RUEATR/DEPT OF TREASURY
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C O N F I D E N T I A L CARACAS 000371

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SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MMALLOY
COMMERCE FOR 4431/MAC/WH/MCAMERON
SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 03/11/2018

TAGS: [EAGR](#) [ECON](#) [PGOV](#) [VE](#)

SUBJECT: POLAR STILL SKATING ON THIN ICE

REF: A. CARACAS 329

[1](#)B. CARACAS 327

[1](#)C. CARACAS 174

[1](#)D. CARACAS 152

[1](#)E. CARACAS 102

Classified By: A/Economic Counselor Shawn Flatt, Reason 1.4 (d).

[1](#)1. (C) Summary: According to Polar's Director of Government Relations Jose Machado (strictly protect throughout), Polar has stopped exporting many of their products due to government restrictions. Polar is Venezuela's largest food processor. Imports of vital components for domestic production take as long as 6 months to arrive due to excessive government bureaucracy. The National Administration for Customs and Taxes (Seniat) recently requested that Polar pre-pay its 2008 taxes this month. Polar believes the chance of nationalization seems to have decreased recently. End Summary.

[1](#)2. (C) EconOffs met with Polar's Director of Government Relations Jose Machado on March 6 to discuss Polar's perceptions of its operating environment. Polar is able to self-finance to a great degree due to highly profitable beer sales. In addition, Polar owns 33 percent of one of the largest banks in Venezuela. Nevertheless, prominent local businessman Andres Duarte (strictly protect throughout) told EconOffs that Polar still needs dollars for imports. Lengthy delays averaging around 180 days for CADIVI dollars recently led Polar to ask for an increase to its USD 30 million line of credit with large agribusiness firm Bunge. Bunge denied the request even after Polar's owner offered a personal guarantee on the grounds that Polar's line of credit was already the largest line Bunge had extended worldwide.

[1](#)3. (C) Machado just learned this week that Seniat is requesting that Polar, one of the largest tax payers in the country, pay its taxes for fiscal year 2008 immediately. Polar has always filed its taxes in September at the end of the fiscal year. This demand for immediate pre-payment came without warning, and in Machado's opinion, serves as yet another example of one of Venezuela's biggest problems: poor government administration. Machado believes this move is a sign that the BRV needs a cash infusion quickly and that Seniat's new management team wants to demonstrate its power over large taxpayers such as Polar.

¶4. (C) Machado noted that Polar's excellent relationship with former Seniat Director Vielma Mora was likely one of the reasons for his dismissal (ref B). Machado explained that Vielma Mora had met with senior Polar management the week of his dismissal. He stated he called Vielma Mora the evening of the dismissal and Vielma Mora stated the dismissal was due to his good relations with the private sector, including Polar.

¶5. (C) Andres Duarte told EconOfs that Polar continues to be at risk of nationalization (ref D). According to Duarte, advisors in Miraflores have told President Chavez that BRV control of Polar's distribution network would resolve food shortages. Nevertheless, Machado reported greater comfort within the company in this regard. He stated there is a growing consensus within Polar that the December referendum weakened Chavez and made nationalization much less likely, at least for now. He noted that Polar trucks confiscated under suspicion of smuggling food products to Colombia have been returned with their loads intact (ref E). On the other hand, a plant executive was recently arrested and held under hoarding charges until Polar's lawyers were able to negotiate his release (ref C). Machado personally believes there is mounting evidence that Chavez will not be in power by the end of 2008, but Polar is certainly not out of the cold yet.
DUDDY